

ERRATA

TAX POLICY FOR PENSIONS AND OTHER RETIREMENT SAVING April 1987

The formula in footnote 5 on page 3 should read:

$$G = (1-t)(1-T)W (1+r)^n + t(1-T)W$$

**TAX POLICY FOR PENSIONS AND
OTHER RETIREMENT SAVING**

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PREFACE

The federal government encourages pensions, other employer retirement plans, and Individual Retirement Accounts through preferences in the federal income tax. These arrangements have been major focuses of legislation in recent years. This paper reviews the evolution of these tax-advantaged means of retirement saving and appraises their impact on saving and on retirement incomes. Senator Robert Dole requested the study while Chairman of the Senate Finance Committee. In accordance with the mandate of the Congressional Budget Office (CBO) to provide objective analysis, the report offers no recommendations.

Larry Ozanne and David Lindeman of the Tax Analysis Division prepared the paper under the direction of Rosemary Marcuss and Eric Toder. Many people inside and outside CBO reviewed drafts and provided valuable criticism and suggestion. They include Robert Hartman, Rudolph G. Penner, Pearl Richardson, Sylvester Schieber, Raymond Schmitt, Stuart Serkin, William Shear, Eugene Steuerle, Lawrence H. Thompson, Barbara Boyle Torrey, Bruce Vavrichek, and James Verdier. Earlier studies of employer pensions by Alicia Munnell and Richard Ippolito provided important background for the paper. Assistance in quantitative analysis was provided by Fritz Maier, Nancy O'Hara, Richard Kasten, and Frank Sammartino at CBO. David Kennell and John Sheils of ICF Incorporated simulated future retirement incomes. Responsibility for the finished product, however, rests with CBO. Francis Pierce edited the manuscript. Shirley Hornbuckle typed the many drafts of the paper and prepared it for publication. All members of the Tax Analysis Division contributed advice and support.

Edward M. Gramlich
Acting Director

April 1987

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